



Ntabankulu Local Municipality  
Financial Statements  
for the year ended 30 June 2019

# **Ntabankulu Local Municipality**

Financial Statements for the year ended 30 June 2019

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The reports and statements set out below comprise the financial statements presented to the Auditor General:

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VAT	Value Added Tax
EXCO	Executive Council
INEP	Integrated National Electrification Programme
GRAP	Generally Recognised Accounting Practice
DEDEAT	Department of Economic Development, Environmental Affairs & Tourism
DSRAC	Department of Sport, Recreation, Arts and Culture
FBE	Free Basic Electricity
EPWP	Expanded Public Works Programme
COGTA	Cooperative Governance and Traditional Affairs
SDL	Skills Development Levy
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
LED	Local Economic Development
IPD	Infrastructure, Planning and Development
MSIG	Municipal Systems Improvement Grant

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## General Information

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### Legal form of entity

Municipality

### Nature of business and principal activities

Ntabankulu Local Municipality is a South African Category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.

### Municipal Councillors

Cllr PT Sobuthongo: Mayor

Cllr V Matwasa: Speaker

Cllr S Menziwa: Chief Whip

#### EXCO Members

Cllr S Menziwa: Portfolio Head: Infrastructure, Planning and Development

Cllr N Pikwa: Portfolio Head: Community Services

Cllr S Sophaqa: Portfolio Head: Corporate Services

Cllr M Ndabeni: Portfolio Head: Local Economic Development

Cllr N T Mbonmtsha: Portfolio Head Budget and Treasury Services

Cllr N Fundakubi

Cllr BZ Ndamase MPAC Chairperson

#### Other Councillors

Cllr B Betwayo

Cllr M Madadasa

Cllr F Ntshela

Cllr Z Makhosonke

Cllr M Nqwazi

Cllr M Dinwayo

Cllr P Mafilika

Cllr B Ndlebe

Cllr M Gweqani

Cllr T Msuthu

Cllr N Sobuthongo

Cllr S Ncekana

Cllr K Nomanzoyiya

Cllr E Diko

Cllr T Lubisi

Cllr N Daniel

Cllr Z Mtyaphi

Cllr N Sithunzi

Cllr S Sicwayi

Cllr M Mkizwana

Cllr N Njiva

Cllr M Mkhandanisi

Cllr N Pezisa

Cllr M Tshaka

Cllr N. Ndamase

### Grading of the Municipality

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### Accounting Officer

Ms L Nonyongo 8 October 2018

Mr Matiwane Acted 1 July 2018 to 30 September 18

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## General Information

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<b>Chief Financial Officer (CFO)</b>	Mrs XN Venn appointed on 3 September 2018 Ms N Gixane Acted 1 July 2018 to 31 July 2018 Ms N Mdutyana Acted from 01 August 2018 to 31 August 2018
<b>Registered office</b>	Erf 85 Main Street Ntabankulu 5130
<b>Business address</b>	Erf 85 Main Street Ntabankulu 5130
<b>Postal address</b>	P.O. Box 234 Ntabankulu 5130
<b>Bankers</b>	First National Bank 151 York Road, Mthatha
<b>Auditors</b>	Auditor General of South Africa Registered Auditors 63 Frere Road Vincent
<b>Attorneys</b>	New Appointed Panel of Attorney Madlanga and Partners Inc Attorney Appointed May 2019 Offices of Hydpark Johannesburg Guzana Inc Attorneys Appointed May 2019 4 Kort Street Carolina 1185 Vuba Attorneys 28 Guller Street Butterworth Mbabane Sokutu contract ended 31 January 2018

### **Accounting Officer's Responsibilities and Approval**

The accounting Officer is required by Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report.

It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the 30 June 2019 and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

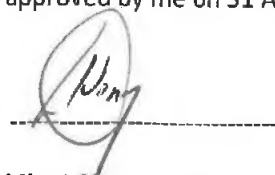
The Annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

I have reviewed the municipality's cash flow forecast for the year ended to 30 June 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The Annual Financial Statements set out on pages 7 to 49, which have been prepared on the going concern basis, were approved by me on 31 August 2019 and were signed on its behalf by:



**Miss L Nonyongo**

**Accounting Officer**



**Date**

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Audit Committee Report

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We are pleased to present our report for the year ending 30 June 2019.

### Audit committee members and attendance

The audit committee consists of the members listed here under and should meet 4 times per annum as per its approved terms of reference. During the current financial year 6 meetings were held.

Name of member	Number of meetings attended	Number of
Mr Mandla (Former Chairperson)	3	1
Mr G Labane (Current Chairperson)	4	2
Ms B Jojo	4	2
Mr M Nkosi (Appointed 1 May 2019)	0	0
Mr Z Zulu (Appointed 1 May 2019)	0	1
Ms K J Tubane (Appointed 1 May 2019)	0	1

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

#### Overview

In adherence to the terms of the MFMA, the Audit Committee has established and defined its composition, purpose and duties in the Audit Committee Charter. The Audit Committee reports that it complies with all legal and regulatory requirements as necessary under South African legislation. In fulfilling its duties, the Audit Committee has

- approved the internal audit plan;
- received and considered reports from internal auditors; and
- reviewed and discussed the Annual Financial Statements with the Accounting officer and the Chief financial officer.

Following a review conducted by the Internal Audit Unit, and meeting the requirements of the terms of reference, the committee is satisfied that:

- Internal financial controls are effective however, not all material weaknesses in financial control have been identified; and
- The co-sourced internal audit function performed their duties as per the terms of reference contained in the Internal Audit Charter and addressed all components of the Internal Audit Plan and the external auditors of the municipality ( Auditor General of South Africa), are independent.

### Internal Audit

Ntabankulu Local Municipality has a co sourced Internal Audit Function. The Internal Audit Function provides the Audit Committee with assurance on the key areas of Ntabankulu Local Municipality's systems of internal control and risk management. The Internal Audit Plan and the Internal Audit Charter are annually reviewed and approved by the Audit Committee. Internal Audit provides assurance that Ntabankulu Local Municipality operates in a responsibly governed manner by performing the following functions:

- objectively assuring effectiveness of risk management and the internal control framework;
- analysing and assessing business processes and associated controls; and
- reporting audit findings and recommendations to management and the Audit Committee.

The Audit committee is of the opinion that Ntabankulu Local Municipality system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on for the preparation of the Financial Statements.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management of the municipality during the year under review.

# **Ntabankulu Local Municipality**

Financial Statements for the year ended 30 June 2019

## **Audit Committee Report**

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### **Evaluation of the annual financial statements**

The Audit Committee has reviewed the Annual Financial Statements ending 30 June 2019 and concluded that it complies, in all material respects, with the requirements of GRAP. The committee recommended the approval of the Annual Financial Statements.

Furthermore, the Audit Committee recommended the adoption of the Annual Financial Statements. In this regard, the Committee:

- > Considered all facts and risks that may impact on the integrity of the financial statements; and
- > Reviewed and commented on the financial statements.

The Accounting Officer subsequently approved the Annual Financial Statements.

### **Conclusion**

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year.

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# **Ntabankulu Local Municipality**

Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Report**

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The accounting officer submits her report for the year ended 30 June 2019.

### **1. Review of activities**

#### **Main business and operations**

Ntabankulu Local Municipality is a South African category B municipality (local municipality) as defined by the Municipal Structures Act (act no 117 of 1998). The Municipality's operations are governed by the Municipal Finance Management Act (act 56 of 2003), the Municipal Structures Act (act 177 of 1998), Municipal Systems Act (act 32 of 2000) and various legislations and regulations.

The operating results for the year are fully set out in the attached Financial Statements and do not in my opinion require any further comment.

Net surplus of the municipality was R 4 496 824 (2018: surplus R 64 696 049).

### **2. Going concern**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the year financial period.



# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	562 724	769 088
Receivables from exchange transactions	4	535 933	782 956
Receivables from non-exchange transactions	5	2 639 540	2 551 259
VAT receivable	6	3 751 335	4 770 920
Cash and cash equivalents	7	19 099 592	792 207
		<b>26 589 124</b>	<b>9 666 430</b>
<b>Non-Current Assets</b>			
Investment Property	8	29 220 228	22 262 725
Property, Plant and Equipment	9	379 966 983	385 039 808
Intangible assets	10	1 918	7 666
		<b>409 189 129</b>	<b>407 310 199</b>
<b>Total Assets</b>		<b>435 778 253</b>	<b>416 976 629</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	17 406 187	16 459 728
Long service awards obligation	12	730 376	152 254
Unspent conditional grants and receipts	13	15 941 555	821 807
Payables from non exchange transactions	14	520 350	2 649 374
		<b>34 598 468</b>	<b>20 083 163</b>
<b>Non-Current Liabilities</b>			
Long service awards obligation	12	1 473 701	2 051 823
Provisions	15	1 223 682	856 065
		<b>2 697 383</b>	<b>2 907 888</b>
<b>Total Liabilities</b>		<b>37 295 851</b>	<b>22 991 051</b>
<b>Net Assets</b>		<b>398 482 402</b>	<b>393 985 578</b>
Accumulated surplus	45	398 482 402	393 985 578

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance for the year ended 30 June 2019

Figures in Rand	Note(s)	2019	2018
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	576 178	408 853
Rental of facilities and equipment	18	859 033	1 107 475
Interest received	19	2 305 445	2 349 494
Licences and permits		1 418 120	1 311 922
Sundry income	20	382 870	690 092
<b>Total revenue from exchange transactions</b>		<b>5 541 646</b>	<b>5 867 836</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	9 246 603	8 478 171
<b>Transfer revenue</b>			
Government grants & subsidies	22	193 966 246	203 107 056
Fines	23	618 900	644 750
<b>Total revenue from non-exchange transactions</b>		<b>203 831 749</b>	<b>212 229 977</b>
<b>Total revenue</b>	16	<b>209 373 395</b>	<b>218 097 813</b>
<b>Expenditure</b>			
Employee related costs	24	(58 537 984)	(50 120 612)
Remuneration of councillors	25	(11 340 215)	(11 443 831)
Depreciation and amortisation	26	(16 773 640)	(17 197 484)
Interest paid	27	(798 451)	(760 332)
Lease rentals on operating lease	28	(583 692)	(637 884)
Contribution allowance for impairment	29	(2 054 624)	(2 610 301)
Bad debts written off		(164 216)	-
General expenses	30	(112 764 949)	(65 215 978)
Repairs and maintenance	31	(3 931 292)	(1 802 220)
Auditors fees	32	(4 074 643)	(3 372 019)
<b>Total expenditure</b>		<b>(211 023 706)</b>	<b>(153 160 661)</b>
<b>Operating (deficit) surplus</b>		<b>(1 650 311)</b>	<b>64 937 152</b>
Loss on disposal of assets		(699 252)	-
Fair value adjustments	33	7 376 224	-
Actuarial gains/losses	12	(190 898)	(190 898)
(Increase)/decrease in provision for landfill site		(338 939)	(50 205)
		<b>6 147 135</b>	<b>(241 103)</b>
<b>Surplus</b>		<b>4 496 824</b>	<b>64 696 049</b>

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Statement of Changes in Net Assets for the year ended 30 June 2019

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2017</b>	<b>329 289 529</b>	<b>329 289 529</b>
Changes in net assets		
Surplus for the year	64 696 049	64 696 049
Total changes	64 696 049	64 696 049
<b>Balance at 01 July 2018</b>	<b>393 985 578</b>	<b>393 985 578</b>
Changes in net assets		
Surplus for the year	4 496 824	4 496 824
Total changes	4 496 824	4 496 824
<b>Balance at 30 June 2019</b>	<b>398 482 402</b>	<b>398 482 402</b>

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Cash Flow Statement for the year ended 30 June 2019

Figures in Rand	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property Rates		8 648 648	6 860 812
Service Charges		131 804	77 945
Operating Grants		112 861 000	104 230 149
Capital Grants		95 824 993	98 731 433
Other Income		2 196 056	3 053 888
Rental		920 511	-
Interest Income		1 871 660	1 614 469
		222 454 672	214 568 696
<b>Payments</b>			
Suppliers & Employee costs		(131 059 722)	(122 682 240)
Interest paid		(798 451)	(760 332)
		(131 858 173)	(123 442 572)
<b>Net cash flows from operating activities</b>	34	<b>90 596 499</b>	<b>91 126 124</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(72 392 495)	(91 846 773)
Proceeds from sale of property, plant and equipment	9	103 381	-
<b>Net cash flows from investing activities</b>		<b>(72 289 114)</b>	<b>(91 846 773)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		-	(82 071)
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>(82 071)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18 307 385</b>	<b>(802 720)</b>
Cash and cash equivalents at the beginning of the year		792 207	1 594 927
<b>Cash and cash equivalents at the end of the year</b>	7	<b>19 099 592</b>	<b>792 207</b>

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	315 600	260 578	576 178	576 178	-	43.1
Rental of facilities and equipment	1 596 883	(737 850)	859 033	859 033	-	
Licences and permits	1 859 318	(333 019)	1 526 299	1 418 120	(108 179)	
Services Rendered	48 410	7 816	56 226	-	(56 226)	
Sundry Income	524 451	(160 403)	364 048	382 870	18 822	
Transfer from internal reserves	-	88 294 504	88 294 504	59 000 000	(29 294 504)	
Vat Recovery	-	15 700 034	15 700 034	13 608 462	(2 091 572)	
Proceeds from disposal of assets	-	181 485	181 485	181 485	-	
Interest received - investment	2 261 800	113 464	2 375 264	2 305 445	(69 819)	
<b>Total revenue from exchange transactions</b>	<b>8 608 482</b>	<b>103 326 609</b>	<b>109 933 071</b>	<b>78 331 593</b>	<b>(31 601 478)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	9 118 974	127 629	9 246 603	9 246 603	-	
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##### Transfer revenue

Government grants & subsidies	190 289 951	19 407 749	209 697 700	193 966 246	(15 731 454)	
Fines, Penalties and Forfeits	349 882	268 118	618 000	618 900	900	
<b>Total revenue from non-exchange transactions</b>	<b>199 758 807</b>	<b>19 803 496</b>	<b>219 562 303</b>	<b>203 831 749</b>	<b>(15 730 554)</b>	

<b>Total revenue</b>	<b>206 365 269</b>	<b>123 130 105</b>	<b>329 495 374</b>	<b>282 163 342</b>	<b>(47 332 032)</b>	
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#### Expenditure

Personnel	(58 747 677)	(1 884 540)	(60 632 217)	(58 537 984)	2 094 233	
Remuneration of councillors	(11 299 977)	(524 800)	(11 824 777)	(11 340 215)	484 562	
Depreciation and amortisation	(1 578 000)	(16 990 083)	(18 568 083)	(16 773 640)	1 794 443	
Finance costs	(52 600)	(582 281)	(634 881)	(798 451)	(163 570)	
Lease rentals on operating lease	(370 800)	(212 892)	(583 692)	(583 692)	-	
Debt Impairment	(1 052 000)	(1 002 624)	(2 054 624)	(2 054 624)	-	
Bad debts written off	-	-	-	(164 216)	(164 216)	
Loss on disposal of assets	-	101 151	101 151	(699 252)	(800 403)	
General Expenses	(47 986 526)	(5 421 361)	(53 407 887)	(116 012 103)	(62 604 216)	
Repairs & Maintenance	(4 049 696)	552 046	(3 497 650)	(1 957 592)	1 540 058	
Audit Fees	(2 910 401)	(1 523 966)	(4 434 367)	(2 801 189)	1 633 178	
<b>Total expenditure</b>	<b>(128 047 677)</b>	<b>(27 489 350)</b>	<b>(155 537 027)</b>	<b>(211 722 958)</b>	<b>(56 185 931)</b>	

<b>Operating surplus</b>	<b>78 317 592</b>	<b>95 640 755</b>	<b>173 958 347</b>	<b>70 440 384</b>	<b>(103 517 963)</b>	
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Fair value adjustments	-	-	-	7 376 224	7 376 224	
Actuarial gains/losses	-	-	-	(190 898)	(190 898)	3

	-	-	-	7 185 326	7 185 326	
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<b>Surplus before taxation</b>	<b>78 317 592</b>	<b>95 640 755</b>	<b>173 958 347</b>	<b>77 625 710</b>	<b>(96 332 637)</b>	
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## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual
Figures in Rand					
<b>Surplus for the year from continuing operations</b>	<b>78 317 592</b>	<b>95 640 755</b>	<b>173 958 347</b>	<b>77 625 710</b>	<b>(96 332 637)</b>
Capital Expenditure	(78 688 392)	(12 000 999)	<b>(90 689 391)</b>	(64 186 835)	<b>26 502 556</b>
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(370 800)</b>	<b>83 639 756</b>	<b>83 268 956</b>	<b>13 438 875</b>	<b>(69 830 081)</b>

# **Ntabankulu Local Municipality**

Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1. Presentation of Financial Statements**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Presentation currency**

These financial statements are presented in South African Rand, which is the functional currency of the Municipality.

#### **1.2 Going concern assumption**

These financial statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Significant judgements and sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### **Trade receivables or loans and other receivables**

##### **Impairment testing**

In calculating the impairment loss for receivables, the following were considered:

- The payments received from receivables for the year
- The age of the debt
- Current and 30 days were considered not to have past due date
- Receivables who were 60 days old were considered to be past due date but were not impaired.

The municipality assessed the balances that were 60 days old for recoverability and believes that they are of good credit quality. The creation and the release the impairment loss for receivables have been included in the Statement of Financial Performance.

##### **Fair value estimation – Financial Instruments**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

# **Ntabankulu Local Municipality**

Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.3 Significant judgements and sources of estimation uncertainty (continued)**

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that Receivables are impaired. The impairment is measured as the difference between the Receivables carrying amount and Receivables recoverable amounts.

#### **Contingent Liabilities and Contingent Assets**

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent assets arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements

#### **Residual Values, useful lives and impairment of Property Plant and Equipment**

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually

Where significant parts (components of an item of property, plant and equipment have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying amounts of Property, Plant and Equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

#### **Allowance for doubtful debts**

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### **1.4 Investment Property**

Investment Property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. Investment properties comprise properties held for earning rental income or for capital appreciation or both. This does not include properties held for the supply of services or for administrative purposes.

Investment Property is measured initially at its cost (transaction costs shall be included in this initial measurement). Where an Investment Property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. After initial recognition, investment property is held at the fair value model except in cases where the municipality cannot reliably determine the fair value thereof.

A gain or loss arising from a change in the fair value of investment property shall be included in surplus or deficit for the period in which it arises. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The differences between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of financial performance in the period of derecognition.



# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Investment Property (continued)

#### Fair value - Investment Property

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably determinable it is expected that the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If it determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, that investment property will be measured using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The Municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the Municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

### 1.5 Property, Plant and Equipment

Property, Plant and Equipment is recognised when it is probable future economic benefits will flow to the entity and the cost can be measured reliably. Property, Plant & Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all directly attributable costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials and direct labour.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised if the cost can be measured reliably and it is probable that the future economic benefits associated with the item will flow to the municipality. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the municipality recognises such part as individual assets with specific useful life and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenditure is recognised as an expense in the year it is incurred.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the estimated useful life of the asset on the same basis as owned assets. If the Municipality does not have reasonable certainty that it will obtain ownership of the leased asset at the end of the lease term, the asset is depreciated over the shorter of its lease term and its useful life.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight line bases over the estimated useful life of each part of the Property, Plant and Equipment from when it is available to operate as intended by management.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 Years
Furniture	Straight line	5 - 7 Years
Motor vehicles	Straight line	4 - 7 Years
Office equipment	Straight line	5 - 7 Years
IT equipment	Straight line	3 - 5 Years
Computer software	Straight line	2 - 5 Years
Infrastructure		
Landfill site	Straight line	30-55 years

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# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 Property, Plant and Equipment (continued)

Culverts and ditch drains	Straight line	20-60 years
Traffic signs	Straight line	5-20 years
Electricity infrastructure	Straight line	15-40 years
Traffic barriers	Straight line	10-30 years
Roads & paving	Straight line	30-50 years
Recreational facilities	Straight line	10-60 years
Bridges	Straight line	60 - 80 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually. Where significant parts (components of an item of property, plant and equipment have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying amounts of Property, Plant and Equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in operating profit. Items or part of an item of property, plant and equipment are derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use disposal. Gains or losses on derecognition of items of property, plant and equipment are included in the statement of financial performance. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset

### 1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software & other	Straight line	2 years
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# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.7 Financial instruments

Financial assets and liabilities are recognised on the municipality's statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value at date of acquisition. Subsequent to initial recognition financial instruments are measured as set out below;

#### Receivables from exchange transactions

Receivables from exchange transactions are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. At each reporting date, the municipality assesses whether there is any objective evidence that trade and other receivables are impaired. A provision for impairment of trade and other receivables is raised in the statement of financial performance, when there is objective evidence that the municipality will not be able to collect all amounts due, in accordance with the original terms agreed upon. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The municipality takes the impairment of trade receivables directly to the carrying amount of the asset and recognises the impairment in profit and loss.

#### Receivables from non-exchange transaction

Receivables from non-exchange transactions arise through a contractual commitment by a third party to transact with the municipality, without the municipality giving the third party any value that approximates the contractual amount. Receivables from non-exchange are subsequently measured at cost, where cost is the amount contractually receivable

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and call deposits. Cash on hand is initially recognised at fair value and subsequently measured at fair value. Deposits are carried at amortised cost. However, due to their short-term nature, the amortised cost normally approximates its fair value.

#### Financial liabilities at amortised cost

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when the municipality become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the cost and the redemption value is recognised in the statement of financial position over the period of the borrowings as interest.

#### Payables from exchange transactions and unspent conditional grants liabilities

Payables from exchange transactions are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

#### Payables from non-exchange transactions

Payables from non-exchange transactions arise when the municipality has an obligation to return the grant funds and/or receipts transferred to it by any third parties, through a non-exchange transaction, if conditions of the grant have not been met (conditional grants). A non-exchange transaction is a transaction where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

When funds are received as per stipulations of the grant contract, they give rise to a present obligation. A present obligation arising from a non-exchange transaction, that meets the definition of a liability shall be recognised as a liability when, and only when: it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and reliable estimate can be made of the amount of the obligation.

Payables from exchange transactions are initially measured at fair value and are subsequently measured at cost. Where fair value is the best estimate of the amount required to settle the present obligation at the reporting date and cost is the cash outflow payable to the third upon unsuccessful discharge of grant conditions.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset and/or expenditure, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Offset

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legal enforceable right to set-off the recognised amounts, and the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Derecognition

A financial asset, or portion of a financial asset, is derecognised where:

- The rights to receive cash flows from the asset have expired
- The municipality has transferred the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without any material delay to a third party;
- The municipality has transferred substantially all the risks and rewards of the asset; and
- The municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### Impairment of financial assets

Financial assets, other than those financial assets classified as fair value through the statement of financial performance, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is recognised in the surplus or deficit.

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Inventories

Inventories acquired through an exchange transaction are initially stated at cost. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the First In First Out method. Inventories acquired through a non-exchange transaction are initially measured at fair value as at the date of acquisition.

All inventories are subsequently measured at lower of cost and net realisable value. The net realisable value of inventories is the estimate of the selling price in the ordinary course of business, less the estimated selling expenses.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.10 Impairment of cash-generating assets

At each reporting date, the Municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, if related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the statement of financial performance. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life.

### 1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.12 Employee benefits

#### Long-service bonus awards employment benefit

##### Long service employment benefit

Ntabankulu offers bonuses for every 5 years of completed service from 10 years to 45 years. The liability recognised in respect of the long-service bonus awards is the present value of the obligation at the reporting date. The benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms of maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance, in the period in which they arise. Current service costs are recognised immediately in surplus and deficit.

##### Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration of employees is charged to the Statement of Financial Performance. A provision is made for accumulated leave, incentive bonuses and other short-term employee benefits.

## **Accounting Policies**

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### **1.12 Employee benefits (continued)**

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### **1.13 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

### **1.14 Commitments**

Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date. These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance as risks and rewards of ownership has not been transferred to the municipality prior delivery therein. However, are disclosed as part of the disclosure notes.

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Commitments (continued)

The commitments disclosed in the disclosure note are the aggregate amount of capital and current expenditure approved and contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements. A distinction is made between capital and current commitments

Other commitments for which disclosure is necessary to achieve a fair presentation will be disclosed in a note if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.15 Revenue from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipalities activities. Revenue is reduced for customer returns, rebates and other similar allowances.

Service charges and licenses and permits are recognised in the statement of financial performance when the significant risks and rewards of ownership have been transferred to the customer

Revenue from services rendered is recognised by reference to stage of completion.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Rental of facilities and equipment revenue arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

### 1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions arise where the municipality will receive resources and provide no or nominal consideration directly in return. These constitutes government grants, property rates, fines and penalties..

Government grants pertains to funds and/or subsidies received or receivable by the municipality from other state organs. These include conditional and non-conditional grant. Conditional grants arise where the municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. Non-conditional grants are grants received or receivable, for the municipality's operational needs, with no obligation to pay cash or another financial asset to the grantor.

Non-conditional government grants are recognised as revenue when received and conditional government grants received and recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow, the revenue shall be measured at the amount of the increase in net assets recognised by the entity.

Subsequently, as an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset or expense, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

Property rates satisfy the definition of "non-exchange transaction", because the homeowner transfers resources to the government without receiving approximately equal value directly in exchange.

An Municipality shall recognise an asset in respect of property rates when the taxable event occurs and the asset recognition criteria are met and, to the extent that an asset (cash or receivables) is recognised, the municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Fines and penalties are economic benefits or service potential received or receivable by an entity from an individual or other entity, as determined by a court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. And, to the extent that an asset is recognised, the municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

# **Ntabankulu Local Municipality**

Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.16 Revenue from non-exchange transactions (continued)**

In instances where a defendant reaches an agreement with a prosecutor that includes the payment of a penalty instead of being tried in court, the payment thus received or receivable shall be recognised as fine revenue.

### **1.17 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.18 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.19 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.20 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.21 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefore are provided in note 41

### **1.22 Budget information**

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by a municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018-07-01 to 2019-06-30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.



# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Accounting Policies

### 1.23 Related parties

The municipality, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties. The municipality is presumed to be related to all other government entities within the national sphere by virtue of its classification as a Category B municipality. Only transactions that are not carried out on an arm's length basis are disclosed. Key personnel are limited to the S56 employees only.

### 1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

The Municipality is not aware of any events after the reporting dates.

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact of the Standard is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the Standard is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact of the Standard is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the Standard is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the Standard is not material.

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	No effective date	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	No effective date	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>3. Inventories</b>		
Consumables	562 724	528 348
Land	-	240 740
	<b>562 724</b>	<b>769 088</b>

Land that was previously held as inventory has been transferred to Investment property.

### 4. Receivables from exchange transactions

Rentals Receivables	1 039 381	1 101 263
Refuse Receivables	2 158 786	1 714 412
Sundry Receivables	224 743	224 743
Allowance for impairment Refuse	(1 988 967)	(1 542 579)
Allowance for impairment Rentals	(898 010)	(714 883)
	<b>535 933</b>	<b>782 956</b>

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 293 178 (2018: R 141 313) were past due but not impaired.

The ageing of receivables from exchange transactions is as follows:

Current-30 days	51 372	49 990	-	101 362
31-60 days	51 077	47 423	-	98 500
61-90 days	48 867	44 449	-	93 316
91-120 days	47 740	44 381	-	92 121
121-150 days	47 409	(19 133)	-	28 276
> 180 days	1 638 308	960 929	224 743	2 823 980
	<b>1 931 669</b>	<b>1 174 798</b>	<b>224 743</b>	<b>3 331 210</b>
<b>June 2018</b>	<b>Refuse</b>	<b>Rental</b>	<b>Sundry</b>	<b>Total</b>
Current-30 days	28 610	44 110	-	72 720
31-60 days	26 211	(27 418)	-	(1 207)
61-90 days	26 432	43 368	-	69 800
91-120 days	27 077	12 241	-	39 318
121-150 days	25 366	6 670	-	32 036
151-180 days	27 880	9 820	-	37 700
> 180 days	1 552 836	1 012 472	224 743	2 790 051
	<b>1 714 412</b>	<b>1 101 263</b>	<b>224 743</b>	<b>3 040 418</b>

#### Trade and other receivables allowance for impairment

As of 30 June 2019, the contribution towards allowance for impairment amounted to of R - (2018: R 335 866)

The amount is made up of the following:

	2019	2018
Rental	-	(6 813)
Refuse	-	342 679

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	2 257 461	1 921 595
Impairment loss created	-	335 866
	<b>2 257 461</b>	<b>2 257 461</b>

## 5. Receivables from non-exchange transactions

Customer Receivable- Interest	3 773 534	3 339 749
Customer Receivable - Traffic Fines	2 556 589	2 074 939
Customer Receivable - Rates	13 460 344	12 862 389
Allowance for impairment - Rates	(12 148 333)	(10 877 907)
Allowance for impairment - Interest	(2 838 047)	(3 129 594)
Allowance for impairment - Fines	(2 164 547)	(1 718 317)
	<b>2 639 540</b>	<b>2 551 259</b>

### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered for allowance for impairment. At 30 June 2019, R - (2018: R 1 548 567) were past due but not impaired.

The ageing of receivables from non exchange transactions is as follows:

June 2018	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	203 213	65 550	42 150	310 913
31-60 days	495 488	65 999	42 100	603 587
61-90 days	497 646	63 771	72 650	634 067
91-120 days	430 380	63 866	47 300	541 546
121-150 days	462 063	61 948	58 100	582 111
151-180 days	502 756	62 081	46 984	611 821
> 180 days	10 267 324	2 956 552	1 827 555	15 051 431
	<b>12 858 870</b>	<b>3 339 767</b>	<b>2 136 839</b>	<b>18 335 476</b>

### Trade and other receivables allowance for impairment

The current year contribution to allowance for impairment loss amounted to R - (2018: R 2 427 453).

The ageing of amounts past due but not provided for impaired is as follows:

	2019	2018
Rates	-	1 283 686
Customer Interest	-	762 390
Traffic Fines	-	381 377

### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	15 878 834	13 451 381
Provision for impairment	-	2 427 453
	<b>15 878 834</b>	<b>15 878 834</b>

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>6. VAT receivable</b>		
VAT	3 751 335	4 770 920

The net of Vat is receivable is made up of input and output payable/receivable as shown in Note 6 and all Vat returns were submitted by the due date throughout the year.

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	52 238	75 351
Bank balances	1 131 637	1 615
Investment balances	17 915 717	715 241
	<b>19 099 592</b>	<b>792 207</b>

Cash at bank earns interest at floating rates based on daily deposit rates. Short term deposit are made for varying periods, depending on the immediate cash requirements and interest at respective short term deposit rate. The balances amounts to R 18 960 768 include an amount of R18 120 616.00 which must be used on Infrastructure projects..

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Main Account: Current	1 131 636	1 616	357 038	1 131 636	1 616	299 971
FEB Account	-	-	971	-	-	971
Operations	1 000	2 431	1 000	1 000	2 431	1 000
Vat Call Account	1 000	1 262	1 000	1 000	1 262	1 000
Back to school	-	-	1 359	-	-	1 359
INEP - FNB Call Account	3 146 691	-	4 311	3 146 691	-	2 507
Municipal Support Institution	1 000	-	1 000	1 000	-	1 000
Grant accounts						
FMG	1 000	17 526	240	1 000	17 526	240
MIG	14 896 140	-	1 000	14 896 140	-	1 000
MSIG	-	-	1 050	-	-	1 050
DEDEAT	1 000	61 021	794 474	1 000	61 021	957 378
DSRAC	50 200	370 256	114 937	50 200	370 256	3 041
EPWP	1 000	-	1 000	1 000	-	8 863
Thina Sinako	-	-	191 158	-	-	191 158
Traffic Fines	1 007	3 869	1 834	1 007	3 869	1 834
Vukani Mangqamza	-	-	95 592	-	-	95 592
DBSA Loan	-	-	139	-	-	139
Small Town Revitalisation	74 303	256 676	-	74 303	256 676	-
COGTA - Electrification	3 482	2 243	17	3 482	2 243	17
<b>Total</b>	<b>19 309 459</b>	<b>716 900</b>	<b>1 568 120</b>	<b>19 309 459</b>	<b>716 900</b>	<b>1 568 120</b>

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 8. Investment Property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 220 228	-	29 220 228	22 262 725	-	22 262 725

#### Reconciliation of investment property - June 2019

	Opening balance	Derecognition	Transfers	Fair value adjustments	Total
Investment property	22 262 725	(651 561)	935 159	6 673 905	29 220 228

#### Reconciliation of Investment Property - June 2018

	Opening balance	Total
Investment property	22 262 725	22 262 725

The Investment property consists of land that is transferred from inventory. Properties that are found not to be owned by the Ntabankulu Municipality anymore as per the Deeds office are transferred out of Investment Property. The Investment Property was valued during the 2019 financial year using fair value model as prescribed by GRAP 16. The determination of the fair value was supported by market evidence. The fair value of the investment property was determined by an independent valuer who is registered as a professional associated valuer.

# **Ntabankulu Local Municipality**

Financial Statements for the year ended 30 June 2019

## **Notes to the Financial Statements**

Figures in Rand

### **9. Property, Plant and Equipment**

	2019			2018		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	2 033 539	-	2 033 539	2 033 539	-	2 033 539
Buildings	117 808 239	(39 442 171)	78 366 068	115 650 330	(35 496 700)	80 153 630
Machinery	1 177 186	(428 298)	748 888	1 122 819	(260 602)	862 217
Furniture & Fittings	2 932 233	(2 240 776)	691 457	2 764 536	(2 052 853)	711 683
Motor vehicles	5 175 139	(3 927 953)	1 247 186	5 386 661	(3 952 826)	1 433 835
IT equipment	3 240 825	(2 374 404)	866 421	3 407 026	(2 761 013)	646 013
Infrastructure	164 017 498	(64 286 036)	99 731 462	148 108 350	(52 899 081)	95 209 269
Landfill site	5 948 541	(297 375)	6 651 166	7 090 307	(297 375)	6 792 932
Work in Progress	189 630 756	-	189 630 796	197 196 690	-	197 196 690
<b>Total</b>	<b>492 963 996</b>	<b>(112 997 013)</b>	<b>379 966 983</b>	<b>482 760 258</b>	<b>(97 720 450)</b>	<b>385 039 808</b>

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

### 9. Property, Plant and Equipment (continued)

#### Reconciliation of property, plant and equipment - June 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Write offs	Depreciation	Impairment loss	Total
Infrastructure	95 209 269	-	-	15 954 065	-	(31 299)	(11 245 921)	(263 199)	99 731 462
Land	2 033 539	-	-	-	-	-	-	-	2 033 539
Buildings	80 153 630	-	-	2 301 700	-	(133 946)	(3 993 709)	-	78 366 068
Machinery	862 217	54 366	-	-	-	-	(167 697)	-	748 888
Furniture & Fittings	711 683	213 400	-	-	-	(1 654)	(214 218)	-	691 457
Motor vehicles	1 433 835	1 209 738	(204 532)	-	-	-	(590 586)	-	1 247 186
IT equipment	646 013	500 000	-	-	-	(193)	(260 561)	-	866 421
Landfill site	6 792 932	-	-	-	-	-	(141 766)	-	6 651 166
Work in Progress	197 196 690	70 414 791	-	-	(79 943 810)	(598 102)	-	-	189 630 796
	<b>385 039 808</b>	<b>72 392 295</b>	<b>(204 532)</b>	<b>18 255 765</b>	<b>(79 943 810)</b>	<b>(765 194)</b>	<b>(16 614 458)</b>	<b>(263 199)</b>	<b>379 966 983</b>



# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

### 9. Property, Plant and Equipment (continued)

#### Reconciliation of property, plant and equipment - June 2018

	Opening balance	Additions	Transfers received	Transfers Out	Write off	Depreciation	Total
Infrastructure	98 703 526	-	7 547 107	-	(28 012)	(11 013 352)	95 209 269
Land	2 033 539	-	-	-	-	-	2 033 539
Buildings	78 854 168	-	5 664 471	-	-	(4 365 009)	80 153 630
Machinery	913 856	99 983	-	-	-	(151 622)	862 217
Furniture & Fittings	899 314	31 000	-	-	-	(218 631)	711 683
Motor vehicles	1 794 679	572 813	-	-	-	(933 657)	1 433 835
IT equipment	705 396	308 275	-	-	-	(367 658)	646 013
Landfill site	6 934 698	-	-	-	-	(141 766)	6 792 932
Work in Progress	128 099 012	89 629 156	-	(12 514 127)	(8 017 351)	-	197 196 690
	<b>318 938 188</b>	<b>90 641 227</b>	<b>13 211 578</b>	<b>(12 514 127)</b>	<b>(8 045 353)</b>	<b>(17 191 695)</b>	<b>385 039 808</b>

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>9. Property, Plant and Equipment (continued)</b>		
<b>9. Property, Plant and Equipment (continued)</b>		
Property, plant and equipment in the process build constructed or developed		
<b>Project Name</b>	<b>2 019</b>	<b>2 018</b>
Multi purpose community centre	26 558 705	26 558 705
Reasons for delay: Poor performance of service provider due to cash flow and contractual problems, as at 30 June a new contract was procured using additional funding from MIG.		
Noncolosa Access Road	3 364 962	3 364 962
Reasons for delay: Project was not completed due to budgetary constraints, project was underbudgeted for.		
Mpoza Pre-School	633 625	633 625
Poor performance of the service provider will be included in future plans of the municipality to realise value for money		
Madwaba Pre-School	822 974	-
Service provider abandoned the site. This project has been budgeted for in 2019/2020 Financial Year.		
Bulela Pre-School	848 745	848 745
Service provider withdrew from the project		
Bay Ntlangano Access Road	6 512 172	6 512 172
Service provider abandoned the site and the contract was subsequently terminated, a new contract has been appointed with additional funding from MIG and the implementation will be realised in 2019/20 financial year		
Solar Streetlights Section 1	677 980	-
Service provider failed to execute the project completion. The project has been budgeted for in the 2019/20 financial year.		
Lalashe Access Road	1 683 761	-
Designs recommended an alternate route which required the construction of a bridge and such costed the project more than the budget.		
Internal Streets - small town revitalisation (OTP)	7 043 470	-
Funder officer of the premier withdrew funding support		
	<b>48 146 396</b>	<b>37 918 238</b>

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand

2019

2018

#### 10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Amount	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Amount
Computer software & other	288 787	(286 869)	1 918	288 787	(281 121)	7 666

#### Reconciliation of intangible assets - June 2019

	Opening balance	Amortisation	Carrying Amount
Computer software & other	7 666	(5 748)	1 918

#### Reconciliation of intangible assets - June 2018

	Opening balance	Amortisation	Carrying Amount
Computer software & other	13 415	(5 749)	7 666

#### Other Information

Ntabankulu Local Municipality's intangible asset consists of computer software. The useful life used in the calculation of amortisation of software is two years. Ntabankulu Local Municipality assesses, at each reporting date, whether there is any indication that the computer software may be impaired, or that the useful life is still appropriate. No such indication existed at the end of the current financial reporting period.

#### 11. Payables from exchange transactions

Trade payables	7 933 073	4 160 677
Receivables with credit balance	(217 946)	252 989
Accruals	1 756 271	5 601 356
Retention fee	1 176 161	913 517
Accrued leave pay	5 690 079	4 555 693
Accrued bonus	900 287	900 287
Staff creditors	168 262	75 209
	<b>17 406 187</b>	<b>16 459 728</b>

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 12. Long service awards

An independent, statutory actuarial valuation is performed on an annual basis by One Pangaea Expertise & Solutions.

The long service award is determined using the Projected Unit Credit Method. This liability is based on actuarial assumptions about the future. The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP 25.

The amounts recognised in the statement of financial position are as follows:

<b>Carrying value</b>		
Opening balance	(2 204 077)	(1 864 093)
Current service cost	(303 448)	(267 052)
Current interest cost	(188 750)	(149 086)
Benefit payments	152 235	289 061
Actuarial gain (loss)	(118 000)	(212 907)
	<b>(2 662 040)</b>	<b>(2 204 077)</b>
<b>Non-current liabilities</b>	<b>(1 473 701)</b>	<b>(2 051 823)</b>
<b>Current liabilities</b>	<b>(730 376)</b>	<b>(152 254)</b>
	<b>(2 204 077)</b>	<b>(2 204 077)</b>

### Net expense recognised in the statement of financial performance

Current service cost	(303 448)	(267 052)
Interest cost	(188 750)	(149 086)
Actuarial (gains) losses	(90 759)	(212 907)
Benefit payments*	124 994	289 061
	<b>(457 963)</b>	<b>(339 984)</b>

\*The amount represents the actual benefit payments made during the year in respect of long service awards.

### Key assumptions used

The key assumptions used in the valuation are as follows:

Discount rates used	8,25 %	8,87 %
Consumer Price Index (CPI)	4,47 %	5,41 %
Expected increase in salaries	5,47 %	6,41 %
Net discount rate	2,64 %	2,31 %

The discount rate is determined using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2019 is 8.25% per annum, and the yield on inflation-linked bonds of a similar term was about 3.14% per annum. This implies an underlying expectation of inflation of 4.47% per annum  $([1 + 8.25\% - 0.5\%] / [1 + 3.14\%] - 1)$ .

It is assumed that the salary inflation would exceed general inflation by 1.0% per annum i.e. 5.47% per annum.

The relative levels of the discount rate and salary inflation are important. The valuation assumes a net discount factor of 2.64% per annum  $([1 + 8.25\%] / [1 + 5.47\%] - 1)$ .

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

2019

2018

### 12. Long service awards (continued)

#### Other assumptions

#### Demographic and mortality assumption

Normal retirement age (years)

Mortality

63

SA85-90

63

SA85-90

#### Withdrawals

#### Age

20

25

30

35

40

45

50

55

60+

Withdrawal  
rates  
(Female)

Withdrawal  
rates  
(Male)

16.0%

12.0%

10.0%

8.0%

6.0%

4.0%

2.0%

1.0%

0%

24.0%

18.0%

15.0%

10.0%

6.0%

4.0%

2.0%

1.0%

0%

#### Membership information

Number of employees

Average annual salary (R)

Average age (years)

Average past service (years)

30 June

2019

144

198423

41.49

8.57

30 June

2018

148

190793

40.4

7.7

#### Benefit structure

#### Completed service (Years)

5

10

15

20

25, 30, 35, 40, and 45

Long Service  
Bonus Awards  
(Days  
Accumulated)

5

10

15

15

15

Long Service  
Bonus Awards  
(% of Annual  
Salary)

2%

3%

4%

5%

6%

Determination of cash  
bonus  
R

$(5/250^* + 2\%) \times \text{Annual Salary}$

$(10/250^* + 3\%) \times \text{Annual Salary}$

$(15/250^* + 4\%) \times \text{Annual Salary}$

$(15/250^* + 5\%) \times \text{Annual Salary}$

$(15/250^* + 6\%) \times \text{Annual Salary}$

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Finance Management Grant - FMG	784	313
Free Basic Electricity - INEP	3 194 473	47 559
Municipal Infrastructure Grant - MIG	12 621 853	-
Precinct Plan Grant	-	-
Cogta Electrification	-	611 448
DSRAC	50 191	28 331
Small town revitalisation Grant	73 170	73 170
DEDEAT	1 084	60 986
	<b>15 941 555</b>	<b>821 807</b>

This liability relates to conditional grants, which arise where the municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. The values disclosed above represents funds received for which the municipality has not yet satisfied the grant conditions. The nature and extent of the government grants is recognised in the Financial Statements.

See note 22 for reconciliation of grants from National/Provincial Government.

### 14. Payables from non-exchange transactions

	June 2019	June 2018	Total
Salaries third party payments	514 787	2 271 543	2 786 330
Receivables with credit balance	-	377 831	377 831
	<b>514 787</b>	<b>2 649 374</b>	<b>3 164 161</b>

### 15. Provisions

#### Reconciliation of provisions - 30 June 2019

	Opening Balance	Movement	Total
Provision Landfill site	856 065	367 617	1 223 682

#### Reconciliation of provisions - 30 June 2018

	Opening Balance	Additions	Total
Provision Landfill site	781 554	74 511	856 065

The Ntabankulu landfill site is situated some 900 meters north of the Ntabankulu Central Business District. It is located on Portion 87 of ERF 1966 in the Ntabankulu Commonage. This landfill is licensed in terms of National Environmental Management Act.

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

### 16. Revenue

	2019	2018
Service charges	576 178	408 853
Rental of facilities and equipment	859 033	1 107 475
Licences and permits	1 418 120	1 311 922
Services Rendered	-	-
Sundry Revenue	382 870	690 092
Interest received - Investment	2 305 445	2 349 494
Property rates	9 246 603	8 478 171
Government grants & subsidies	193 966 246	203 107 056
Fines, Penalties	618 900	644 750
	<b>209 373 395</b>	<b>218 097 813</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	576 178	408 853
Rental of facilities and equipment	859 033	1 107 475
Licences and permits	1 418 120	1 311 922
Sundry Income	382 870	690 092
Interest received - investment	2 305 445	2 349 494
	<b>5 541 646</b>	<b>5 867 836</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	9 246 603	8 478 171
<b>Transfer revenue</b>		
Government grants & subsidies	193 966 246	203 107 056
Fines, Penalties	618 900	644 750
	<b>203 831 749</b>	<b>212 229 977</b>

### 17. Service charges

Refuse removal	576 178	408 853
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The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis. The tariffs are approved by council at the beginning of each financial year.

### 18. Rental of facilities and equipment

#### Premises

Rental revenue from investment properties	841 064	1 097 960
Rental revenue from halls	17 969	9 515
	<b>859 033</b>	<b>1 107 475</b>

### 19. Interest Received

Interest received	1 880 103	1 606 275
Interest charged on trade and other receivables	425 342	743 219
	<b>2 305 445</b>	<b>2 349 494</b>

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>20. Sundry income</b>		
Tender advertisements	178 166	223 049
Cemetery fees	64 594	49 224
Commission received	-	348 475
Building plans	14 516	17 654
Insurance claims income	35 097	-
Other income	90 497	51 690
	<b>382 870</b>	<b>690 092</b>

### 21. Property rates

#### Rates received

Residential	955 220	718 955
Commercial	1 076 507	544 340
State	7 214 876	7 214 876
	<b>9 246 603</b>	<b>8 478 171</b>

#### Valuations

The new general valuation was to be implemented by 01 July 2018, however as per directive from Department of Co-operative Governance and Traditional Affairs it will be implemented on 01 July 2019.

In accordance with section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

### 22. Government grants and subsidies

#### Operating grants

Equitable share	108 982 000	99 603 000
Finance Management Grant	1 969 530	1 899 687
Extended Public Works Programme	1 909 000	2 318 863
DEDEAT	59 902	896 391
DSRAC	378 140	323 710
Precinct Grant	-	66 149
	<b>113 298 572</b>	<b>105 107 800</b>

#### Capital grants

Municipal Infrastructure Grant	29 059 147	37 581 000
Electrification Grant - INEP	48 585 086	39 952 441
Provincial Treasury Internal Streets	2 411 993	3 086 595
COGTA - Electrification	-	9 349 664
Small town Revitalisation Grant	-	8 029 556
Cogta - Electrification	611 448	-
	<b>80 667 674</b>	<b>97 999 256</b>
	<b>193 966 246</b>	<b>203 107 056</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	84 582 643	103 437 907
Unconditional grants received	108 982 000	99 669 149
	<b>193 564 643</b>	<b>203 107 056</b>



# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>22. Government grants and subsidies (continued)</b>		
<b>Extended Public Works Program</b>		
Balance unspent at beginning of year	-	7 863
Current-year receipts	1 909 000	2 311 000
Conditions met - transferred to revenue	(1 909 000)	(2 318 863)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Finance Management Grant - FMG</b>		
Balance unspent at beginning of year	313	-
Current-year receipts	1 970 001	1 900 000
Conditions met - transferred to revenue	(1 969 530)	(1 899 687)
	<b>784</b>	<b>313</b>
<b>Free Basic Services Electricity</b>		
Balance unspent at beginning of year	47 559	-
Current-year receipts	51 732 000	40 000 000
Conditions met - transferred to revenue	(48 585 086)	(39 952 441)
	<b>3 194 473</b>	<b>47 559</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Municipal Infrastructure Grant - MIG</b>		
Current-year receipts	41 681 000	37 581 000
Conditions met - transferred to revenue	(29 059 147)	(37 581 000)
	<b>12 621 853</b>	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Precinct Plan Grant</b>		
Balance unspent at beginning of year	-	66 149
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(66 149)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Department of Cooperative Governance &amp; Traditional Affairs (COGTA)</b>		
Balance unspent at beginning of year	611 448	-
Current-year receipts	-	9 961 112
Conditions met - transferred to revenue	(611 448)	(9 349 664)
	-	<b>611 448</b>
Conditions still to be met - remain liabilities (see note 13).		

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>22. Government grants and subsidies (continued)</b>		
<b>Department of Sport Recreational Arts and Culture (DSRAC)</b>		
Balance unspent at beginning of year	28 331	2 041
Current-year receipts	21 860	350 000
Conditions met - transferred to revenue	-	(323 710)
	<b>50 191</b>	<b>28 331</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Small Town Revitalisation</b>		
Balance unspent at beginning of year	73 170	-
Current-year receipts	-	8 102 726
Conditions met - transferred to revenue	-	(8 029 556)
	<b>73 170</b>	<b>73 170</b>
<b>DEDEAT</b>		
Balance unspent at beginning of year	60 986	957 377
Conditions met - transferred to revenue	(59 902)	(896 391)
	<b>1 084</b>	<b>60 986</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>23. Fines</b>		
Traffic fines	618 900	644 750
<b>24. Employee related costs</b>		
Basic salaries	38 182 351	31 179 830
Bonus	2 974 942	2 990 272
Car allowance	3 839 121	3 416 941
Contribution to Bargaining Council	16 371	15 519
Housing benefits and allowances	2 786 735	2 558 893
Long-service awards	124 994	136 768
Medical aid - company contributions	2 638 633	2 317 768
Standby Allowance	269 440	276 499
Provident & Pension fund	5 236 203	4 731 646
SDL	505 735	441 213
Cellphone Allowance	33 752	46 427
UIF	296 890	273 297
Acting allowances	460 049	717 352
Leave pay provision charge	196 020	-
Overtime	976 748	1 018 187
	<b>58 537 984</b>	<b>50 120 612</b>
<b>25. Remuneration of councillors</b>		
Salaries and other allowances	8 892 161	9 117 522
Motor vehicle allowance	2 448 054	2 326 309
	<b>11 340 215</b>	<b>11 443 831</b>

**Ntabankulu Local Municipality**  
Financial Statements for the year ended 30 June 2019

**Notes to the Financial Statements**

Figures in Rand	2019	2018
<b>26. Depreciation and amortisation</b>		
Property, Plant and Equipment	16 767 891	17 191 735
Intangible assets	5 749	5 749
	<b>16 773 640</b>	<b>17 197 484</b>
<b>27. Interest paid</b>		
Interest paid	798 451	760 332
<b>28. Lease rentals on operating lease</b>		
<b>Machinery and equipment</b>		
Contractual amounts	583 692	637 884
<b>29. Debt impairment</b>		
Contributions to debt impairment provision	2 054 624	2 610 301

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>30. General expenses</b>		
Advertising fees	428 258	1 094 711
Agriculture LED	1 801 854	3 278 085
Asset write off	847 255	28 011
Audit Committee Expenses	451 146	407 744
Back to School	291 429	597 104
Bank Charges	-	91 506
Capacity Building	656 757	725 158
Completed electrification transfered	61 688 040	8 017 351
Consulting and Professional fees	2 428 639	2 542 889
Council Support Administration	84 218	233 169
DEDEAT Strategic	-	465 016
DSRAC Community	378 140	268 460
Expanded Public Works	2 060 789	1 160 806
Electricity Expenditure	1 285 066	1 358 458
EPWP Community	1 346 202	2 390 268
Financial Management Grant Expenditure	-	1 632 541
Financial Management fees	1 496 696	2 570 908
General Valuation Expenditure	558 631	294 736
Hygienic Services Administration	811 051	722 894
IT expenses	1 219 065	480 457
Indigent Support	3 218 992	3 797 727
Placement fees	61 075	-
Insurance	408 170	1 347 500
Integrated Development Plan	3 175 821	1 524 350
Internal Audit Expense	771 606	811 930
Fuel and oil	1 314 067	1 093 262
Legal fees	1 451 636	1 697 812
Licence Fees	733 758	436 814
Living the dream	57 380	290 355
Marketing and Communication	482 696	823 679
Movement leave and bonus provisions	(491 576)	893 461
Occupational Health & Safety	706 136	518 343
Other expenses	777 694	395 257
Performance Management System expense	47 700	69 631
Post & Telecommunication expenses	7 254 682	4 560 201
Printing & Stationery	1 078 189	990 811
Project Management	1 008 631	1 194 320
Public Amenities	25 146	73 650
Public Participation	484 568	304 143
SALGA Levy	11 000	653 399
Security (Guarding of municipal property)	3 066 966	2 101 432
Spatial Development expenses	169 830	81 220
Special Programs	665 281	354 764
Sports & Recreation	721 571	74 114
Tourism, Arts and Culture	359 911	551 520
Town Planning Expenses	34 696	293 520
Travelling & Subsistence	5 748 009	9 273 112
Ward Committee Sitting	2 044 274	2 204 654
Waste management expenses	375 479	444 725
	<b>113 596 624</b>	<b>65 215 978</b>

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>31. Repairs and Maintenance</b>		
Buildings repairs and maintenance	525 736	1 207 540
Street lights	25 680	53 200
Access roads	1 731 814	541 480
Equipment	23 597	-
	<b>2 306 827</b>	<b>1 802 220</b>

The Municipality did not incur repairs and maintenance on Investment property during 2019 and 2018 financial years.

### 32. Auditors' remuneration

Fees	3 242 968	3 372 019
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### 33. Fair value adjustments

Investment property (Fair value model)	7 376 224	-
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### 34. Net Cash flow from operating activities

Surplus	4 496 824	64 696 049
<b>Adjustments for:</b>		
Depreciation and amortisation	16 773 640	17 197 484
Loss on disposal of assets	699 252	-
Completed Electrification project expensed	61 188 040	8 017 351
Actuarial gain/loss	190 898	190 898
Fair value adjustments	(7 478 085)	-
Interest Paid	798 451	-
Asset write off	847 225	28 011
Allowance impairment	2 054 624	2 610 301
Bad debts written off	164 216	-
Movement in provision long service awards	457 963	(136 807)
Increase in provision for landfill site	338 939	50 205
Contribution provisions- Leave and bonus	491 576	893 461
<b>Changes in working capital:</b>		
Receivables from exchange and non exchange transactions	(382 492)	(3 383 644)
Inventory	-	117 140
Payables from exchange transactions	271 465	248 810
VAT	1 001 490	19 272
Payables from non exchange transactions	(2 134 587)	789 215
Unspent conditional grants and receipts	15 119 748	(211 623)
	<b>94 899 187</b>	<b>91 126 123</b>

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>35. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	71 134 049	45 734 834
• Prior period error	-	1 178 519
	<b>71 134 049</b>	<b>46 913 353</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	71 134 049	46 913 353
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	71 134 049	46 913 353

This committed expenditure relates to property and will be financed by retained surpluses, existing cash resources, funds internally generated, and government grants.

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand			2019	2018
<b>36. Contingencies</b>				
<b>Plaintiff</b>	<b>Reference</b>	<b>Case Number</b>	<b>June 2019</b>	<b>June 2018</b>
Droder Trading CC	(i)	627/12	625 000	625 000
Droder Trading CC	(ii)	628/12	525 000	525 000
Four Municipal Traffic Officers	(iii)	N/A	-	5 500
Somdaka Funeral Palour	(iv)	N/A	70 000	70 000
SAMWU	(v)	457/2015	575 000	575 000
Siphokazi Cekwana	(vi)	513/2015	6 950 000	6 950 000
Hlaliso Investments	(vii)	N/A	602 600	602 600
Ingenious Information Systems	(viii)	N/A	279 833	279 833
Lwandlelubomvu Community	(x)	852/2016	200 000	200 000
Fortymen Sigcawu	(xi)	851/2016	200 000	200 000
IMATU OBO Nyembezi	(xii)	ECD 031716	-	-
Lindokuhle Khumalo and Sipehelele Khumalo	(xiii)	B315/2015	240 000	240 000
Khulile Nyombolo	(xiv)	N/A	200 000	200 000
Simlindile Nodo	(xv)	N/A	33 890	-
			<b>10 501 323</b>	<b>10 472 933</b>

### i. Droder Trading CC vs NLM (Case number 627/12)

An Applicant entered in to an agreement with the first and the second Respondents, the agreement was that the Applicant will supply the second Respondent with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations however, the first Respondent failed to effect payment within the agreed period. The matter remains pending but it is dormant.

### ii. Droder Trading CC vs NLM (Case number 628/12)

An Applicant entered in to an agreement with the first and the second Respondents, the agreement was that the Applicant will supply the second Respondent with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations however, the first Respondent failed to effect payment within the agreed period. The matter is pending and the attorneys are awaiting a trial date.

### iii. Four Municipal Traffic Officers vs NLM (Case number: Not yet available)

Charges of assault were charged against four municipal officers by the driver who was driving without a valid driver's licence.

### iv. Somdaka Funeral Palour vs NLM (Case number: Not yet available)

NLM had entered into a lease agreement with Somdaka funeral parlour and eventually an offer to purchase the property was made between the parties. Mr Somdaka failed to pay the purchase price as per the agreement, as well as the rent. An independent valuator is to be selected to evaluate the property in question.

### v. SAMWU vs NLM (Case number 457/2015)

Non-payment of the Provident fund. SAMWU has not been attending the proceedings and the matter remains stagnant.

### vi. Siphokazi Cekwana vs NLM (Case number: 513/2015)

The Municipality hosted an event on the 26th of March 2015 at Ntabankulu Sportsfield where Miss Siphokazi Cekwana was attending. It is alleged that at about 15h30 on that day a storm hit the area at which the event took place as a result of which the tent collapsed injuring Siphokazi Cekwana on the right foot. A summons has been issued and the legal team has filed an appearance to defend and a plea will be filed.

### vii. Hlalisso Investments vs NLM (Case number: Not yet available)

NLM entered into an agreement with Hlalisso Investments for the provision of Material for the building of the Hawker Stalls the contract was cancelled due to poor performance. Hlalisso Investments sent a letter to the Municipality challenging the cancellation of the contract. A letter was sent to Hlalisso Investments attorneys and no response has been received yet.

### viii. Ingenious Information Systems vs NLM (Case number : Not yet available)

We owed Ingenious Information Systems R254, 833.19 for their services rendered but which were disputed by the Municipality. Correspondence was sent to the Ingenious Information Systems attorneys and the matter remains dormant at year end.

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
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#### 36. Contingencies (continued)

##### x. Lwandlelubomvu Community vs NLM (Case number:852/2016)

This was a Land Claims Court interdict by the Community preventing the Municipality from developing land under a land claim in terms of the Land Rights Development Act, 1995. The matter remains pending.

##### xi. Fortymen Sigcawu vs NLM (Case number: 851/2016)

Interdict against people invading land belonging to the Municipality. The matter remains pending.

##### xii. IMATU OBO Nyembezi vs NLM (Case number: ECD 031716)

Unfair labour practice on promotion. The matter has been referred the Labour Court for review through the Municipal legal team. The matter remains pending.

##### xiii.Lindokuhle Khumalo and Siphelele Khumalo vs NLM (Case number B315/2015)

The Khumalos are trading on the side walk next to Lewis Stores, they were informed of the unlawfulness of their actions but none the less continued to trade and as a result of that they were arrested and detained. On their release they went back to the same spot where they were advised that it was not open for business and continued to trade, when they were told once again that what they were doing was in contravention to our Municipal By-laws, they laid a charge they applied for a protection order against our Municipal Official for harassment. The matter has not yet been tried and remains pending.

##### xiv. Khulile Nyombolo vs NLM (Case number 66/2017)

Mr Nyombolo is claiming the Municipality an amount of R200 000 for the alleged unlawful arrest, unlawful detention and the legal representation fees. The pleadings have been exchanged in this matter and the matter remains pending.

##### xv. Simlindile Nodo vs NLM (Case number: Not yet available)

Mr S Nodo has a put a claim against the Municipality for an amount of R33 980 for loss or theft of materials that were kept in his office during his tenure as Director: Corporate Services at the Municipality. The matter remains unsettled.

#### 37. Related parties

Bana Consulting .



# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

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### 38. Executive Management Remuneration

#### June 2019

	Basic salaries	Medical Aid*	Other Allowances	Acting Allowance	Leave Payout	Total
Miss L Nonyongo - Municipal Manager	728 412	19 090	124 920	-	-	872 422
Mr S Matiwane - Director Community Services	529 962	-	342 977	18 626	-	891 565
Ms N Ndlaku - Director Strategic Services	529 962	-	342 977	-	-	872 939
Mrs V.N Venn - Director Budget and Treasury Services	503 965	-	285 131	-	-	789 096
Mr P.L Mpendulo - Director IPD	659 274	37 714	305 122	-	-	1 002 110
Ms S.N Ntshahla - Director Corporate Services	512 543	23 240	171 123	-	-	706 906
Mr B.Same-Acting Director Community Service	-	-	-	31 053	-	31 053
L Mkula- Acting Strategic Director	-	-	-	28 516	-	28 516
K. Nonkondlo - Acting Corporate Services	-	-	-	81 105	-	81 105
N Mdutyana - Acting CFO	-	-	-	61 293	-	61 293
	<b>3 464 118</b>	<b>80 044</b>	<b>1 572 250</b>	<b>220 593</b>	<b>-</b>	<b>5 337 005</b>

#### June 2018

	Basic salaries	Other benefits*	Pension receivable	Acting allowance	Leave payout	Total
Ms S Mankahla	148 886	58 275	58 167	-	134 985	400 313
Mr S Matiwane	354 401	217 725	86 300	37 256	109 263	804 945
Ms N Ndlaku	551 711	337 409	111 275	-	102 434	1 102 829
Mr S Noddo	481 153	412 227	111 275	85 257	60 969	1 150 881
Mr P.L Mpendulo	100 086	53 390	-	-	-	153 476
Ms N Gixane - Acting Director BTO	-	-	-	159 989	-	159 989
Mr L Mkula - Acting Director Strategic	-	-	-	18 885	-	18 885
Mr N Nonkondlo - Acting Director Corporate Services	-	-	-	18 885	-	18 885
Ms Z Petse - Acting Director IPD	-	-	-	71 708	-	71 708
Mr Methusi - Acting Director Community Services	-	-	-	76 847	-	76 847
Ms N Mdutyana - Acting Director BTO	-	-	-	75 209	-	75 209
	<b>1 636 237</b>	<b>1 079 026</b>	<b>367 017</b>	<b>544 036</b>	<b>407 651</b>	<b>4 033 967</b>

\* Other benefits comprise travel allowance and medical benefits

### 39. Prior period errors

The cost and accumulated depreciation of the computer equipment (printing machines)

	Previously reported	Correction of error	Restated Balance
Intabankulu internal streets	367 622	413 659	781 281

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>38. Executive Management Remuneration (continued)</b>		
Construction of Mowa to Laleni access Road	112 767	(68 071)
Electrification 2017/18	8 369 575	683 947
Electrification 2017/18	141 588	27 932
Madwakazana Access Road	52 254	(121 053)
	<b>9 043 807</b>	<b>10 222 327</b>
		<b>1 178 519</b>

### 39. Comparative figures

Certain comparative figures in the statement of financial performance have been reclassified. Management believes that this reclassification better represents the classification of income in the annual financial statements.

The effects of the reclassification are as follows:

### 40. Risk management

#### Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

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### 40. Risk management (continued)

#### Credit risk

Credit Risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counter parties are monitored regularly.

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer receivables, other receivables, bank and cash balances.

#### Investments/Bank, Cash and Cash Equivalents

The municipality limits its counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

#### Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

Financial assets exposed to credit risk at year end were as follows:

	2019	2018
Receivables from exchange transactions	1 167 006	782 956
Receivables from non exchange transactions	4 130 420	2 551 259
Cash and cash equivalents	19 087 089	792 207

#### Market risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### 41. Unauthorised expenditure

Opening balance	77 380 353	48 573 772
Add: Unauthorised Expenditure - current	-	28 806 581
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
<b>Closing balance</b>	<b>77 380 353</b>	<b>77 380 353</b>

# Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>42. Fruitless and wasteful expenditure</b>		
Opening balance	593 380	54 436
Add: Fruitless and wasteful expenditure - current	678 174	538 944
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
<b>Closing balance</b>	<b>1 271 554</b>	<b>593 380</b>
<b>43. Irregular expenditure</b>		
Opening balance	83 826 803	57 812 598
Add: Irregular Expenditure - current year	10 475 717	26 014 205
	<b>94 302 520</b>	<b>83 826 803</b>
Add: Irregular Expenditure - prior period	-	-
Less: Amounts recoverable - current	-	-
<b>Closing balance</b>	<b>94 302 520</b>	<b>83 826 803</b>
<b>44. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>VAT</b>		
VAT receivable	3 751 335	4 770 920

All VAT returns have been submitted by the due date throughout the year.

### 45. Accumulated surplus

### 46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council accounting officer and includes a note to the financial statements.

The following are deviations done during the 2018-19 financial year:

Supplier: Gadalani Trading  
Description of goods: Hiring of Excavator  
Description of Deviation: Emergency as SANDF was providing intervention.  
Amount: R69 575

Supplier: Nata Construction PTY LTD  
Description of goods: Interviews : Demolition of illegal houses  
Description of Deviation;  
Amount: R39 900

Supplier: Phiko Security for demolition of houses  
Description of Deviation;  
Amount: R59 503.30

## Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
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#### 47. Change in estimate

##### Property, Plant and Equipment

The remaining useful lives of all assets were assessed during the year. Remaining useful lives of fully depreciated infrastructure and community assets have been revised based on their conditional assessment as these assets are critical to the municipality's operations and service delivery objectives. The remaining useful lives of other fully depreciated assets were not revised as, by nature, are not critical to the municipality's operations. A change in accounting estimate was effected in relation to fully depreciated infrastructure and community assets still in use. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R2 122 615.49.]